

**STATEMENT OF
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UNDER SECRETARY FOR HEALTH
DEPARTMENT OF VETERANS AFFAIRS
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES**

July 16, 2002

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here this morning to present the Administration's views on H.R. 4939, the "Veterans Medicare Payment Act of 2002." This bill would direct that beginning in 2003, the Secretary of Health and Human Services must transfer to VA, a sum of money equal to twelve times the monthly Medicare Part B premium for that year for each veteran who has enrolled in Medicare Part B, but who receives any outpatient care from VA. For the current year, the monthly premium is approximately \$54 and would result in annual payments of approximately \$650 for each covered veteran. The bill requires that the funds be paid on a periodic basis from the Federal Supplementary Medical Insurance Trust Fund.

In addition, H.R. 4939 provides that even if a payment is made to VA on behalf of a veteran, that veteran does not lose eligibility to receive care under Part B from any non-VA private-sector provider. If the veteran does receive such non-VA care, the Secretary of HHS must reimburse that provider. Finally, the bill

provides that beginning in 2004, VA may collect charges from Medicare + Choice plans for the care it provides to veterans enrolled in those plans. VA could make such collections only for care of nonservice-connected conditions and only if the care is otherwise covered under Medicare Part B.

Mr. Chairman, I strongly support the concept of federal healthcare coordinating benefits in ways that enhance beneficiaries' care and improve the utilization of federal healthcare dollars. However, I do not believe that this bill would provide a mechanism to achieve that goal. As you know, the President has created a task force that is currently examining issues associated with the coordination of care between VA and the Department of Defense. I am hopeful that the Presidential Task Force will be able to assist us in finding solutions to these vexing coordination issues, and assist in increasing access to care for veterans, while using federal funds in the most efficient manner.

Having said this, the Administration is concerned that this transfer of funds would significantly increase mandatory spending with no identified offset. Accordingly, the Administration opposes enactment of the bill. The Administration estimates that the bill could cost nearly \$32 billion over 10 years. Attached is a table showing how OMB reached that estimate.

Additionally, we are also concerned that the bill would require transfers of funds to VA on behalf of veterans who receive care for a service-connected disability.

This would constitute a significant change from the historic practice of having VA shoulder the responsibility for providing and funding such care.

Finally, it should be noted that, even if enacted, this bill may not actually increase VA resources or the veterans' access to care over the long term. As you know, when the Department accesses new funding streams, those increased funds are typically offset against the appropriations we would otherwise receive. We have no reason to believe that would not be the case with this bill. In that event, VA would not gain permanent increased funding from the measure. In addition, if more veterans were encouraged to use VA as a result of this bill, the cost to VA would likely be significantly more than the transfer from the Medicare Trust Funds.

Mr. Chairman, I appreciate your concern for the dilemma we face in meeting the increasing growth in demand for VA healthcare services. I will be pleased to continue to work with you to find workable solutions to these problems. I am pleased to answer any questions you may have.

Medicare Subvention -- HR 4939

FY 2002 VA Data	FY 2002	FY 2003	FY 2004	FY 2005
Projected Users SOY	4,637,122			
Expected Increase	3%			
Projected Users Current	4,775,400	5,252,940	5,646,910	6,070,428
Percent over 65	50%	50%	50%	50%
Projected Users over 65	2,387,700	2,626,470	2,823,455	3,035,214
Percent of Users with Part B	2,244,438	2,468,882	2,654,048	2,853,101
Annual Part B Premium	\$ 648.00	\$ 682.80	\$ 716.40	\$ 758.40
Total Transfer to VA (PAYGO)	\$1,454,395,694	\$1,685,752,342	\$1,901,359,771	\$2,163,792,007

FY 2006	FY 2007	FY 2008	FY 2009
6,525,710	7,015,139	7,541,274	8,106,870
50%	50%	50%	50%
3,262,855	3,507,569	3,770,637	4,053,435
3,067,084	3,297,115	3,544,399	3,810,229
\$ 801.60	\$ 847.20	\$ 897.60	\$ 949.20
\$2,458,574,431	\$2,793,315,965	\$3,181,452,361	\$3,616,669,090

FY 2010	FY 2011	FY 2012
8,714,885	9,368,501	10,071,139
50%	50%	50%
4,357,442	4,684,251	5,035,569
4,095,996	4,403,196	4,733,435
\$ 1,005.60	\$ 1,071.60	\$ 1,126.80
\$4,118,933,438	\$4,718,464,352	\$5,333,634,803

Total PAYGO Cost 10 years (FY 03 - FY 12): \$31,971,948,561